

CLARIFYING THE ACT OF AUGUST 17, 1950, PROVIDING FOR THE
CONVERSION OF NATIONAL BANKS INTO AND THEIR MERGER
AND CONSOLIDATION WITH STATE BANKS

JULY 1, 1952.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, sub-
mitted the following

R E P O R T

[To accompany S. 2252]

The Committee on Banking and Currency, to whom was referred the bill (S. 2252) to clarify the act of August 17, 1950, providing for the conversion of national banks into and their merger and consolidation with State banks, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

Public Law 706, an act to provide for the conversion of national banking associations into and their merger and consolidation with State banks, was passed by the Congress in 1950. It was intended to enable national banks to convert into or consolidate with State banks under State charter; that is, to afford a right similar but converse to that enjoyed by State banks converting into and consolidating with national banks—a two-way street, so to speak.

Section 2 of that act sets forth the procedure under which a national bank can transfer into the State system. This procedure prescribes, among other things, that a national bank can convert into or merge or consolidate with a State bank upon a vote of the holders of not less than two-thirds of the stock, and that dissenting shareholders shall be entitled to the value of their stock in cash. In addition to these requirements in section 2, however, section 4 of the act contains the following limitation:

and no such conversion, merger, or consolidation shall take place under this act unless under the law of the State in which such national banking association is located State banks may without approval by any State authority convert into and merge or consolidate with national banking associations *as provided by Federal law.* [Italics added.]

With respect to consolidations, the Federal law to which this reference is made in section 4 contains provisions relating to the vote required for approval and the payment of dissenting shareholders similar to those in section 2 for a consolidation in the other direction (12 U. S. C. 34a).

With respect to conversions, however, the Federal law to which the reference is made in section 4 provides that a State bank may convert into a national bank upon a vote of the holders of only 51 percent of the stock, and it contains no provision for the payment of cash to dissenting shareholders for the value of their stock (12 U. S. C. 35). This provision, your committee wishes to point out, does not impose conditions on a nationalwise conversion as onerous as section 2 of Public Law 706 imposes on a Statewise conversion. The limitation in section 4 therefore becomes significant because it cuts off the National-to-State street if a State's law governing nationalwise conversions imposes conditions parallel to those prescribed in section 2 of Public Law 706 for the National-to-State street.

Since the enactment of Public Law 706, several instances have occurred in which State legislatures have in fact enacted laws imposing conditions on State-to-National conversions patterned after those contained in section 2 of Public Law 706 for National-to-State conversions. But, this has cut off the National-to-State street because the requirement of section 4 has not been met.

Your committee believes the illustration of the action of Minnesota with reference to this law might be illuminating. The Minnesota Legislature, doubtless noting the conditions precedent in section 2 of Public Law 706 with respect to vote of approval and payment of dissenting shareholders, enacted a law which imposes identical conditions upon State banks transferring out of the State system into the National system. Unfortunately, however, this Minnesota law prevents Minnesota from being a State under whose laws a State bank may convert into a national banking association "as provided by Federal law," because as indicated above the applicable Federal law provides for conversion of a State bank into a National bank upon a vote of the holders of only 51 percent of the stock with no provision for cash payment for dissenting stockholders, as compared with the provision under the Minnesota law requiring a vote of two-thirds of the stockholders and cash payment for dissenting stockholders. Accordingly, section 4 of Public Law 706, as it is now phrased, makes transfers out of the National system and into the State system impossible in Minnesota.

Since it was the purpose of Public Law 706 to provide an equitable two-way street provision in the Federal Statutes, the Treasury Department and the Comptroller of the Currency propose that the law be amended so that the limitation in section 4 beyond which State law cannot go (without depriving National banks in that State of the benefits of Public Law 706) will be measured by the standard set out in section 2 for National-to-State conversions and consolidations, rather than by the minimum requirements prescribed by other Federal Statutes for transfers in the same direction as those the State laws will govern.

In order to carry out our intent in Public Law 706 to place National banks and State banks on an equal footing with respect to conditions under which they might change from one system to the other, your committee unanimously recommends that this bill do pass.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as passed by the Senate, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

PUBLIC LAW 706, EIGHTY-FIRST CONGRESS

AN ACT To provide for the conversion of national banking associations into and their merger or consolidation with State banks, and for other purposes

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CONTRAVENTION WITH STATE LAW

SEC. 4. No conversion of a national banking association into a State bank or its merger or consolidation with a State bank shall take place under this Act in contravention of the law of the State in which the national banking association is located; and no such conversion, merger, or consolidation shall take place under this Act unless under the law of the State in which such national banking association is located State banks may without approval by any State authority convert into and merge or consolidate with national banking associations [as provided by Federal law] *under limitations or conditions no more restrictive than those contained in section 2 hereof with respect to the conversion of a national bank into, or merger or consolidation of a national bank with, a State bank under State charter.*

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The first part of the report is a general survey of the history of the subject. It is divided into three main sections: the first deals with the early history of the subject, the second with the middle history, and the third with the modern history. The first section covers the period from the beginning of the subject to the middle of the 19th century. The second section covers the period from the middle of the 19th century to the middle of the 20th century. The third section covers the period from the middle of the 20th century to the present.

The second part of the report is a detailed study of the history of the subject. It is divided into two main sections: the first deals with the early history of the subject, and the second with the middle history. The first section covers the period from the beginning of the subject to the middle of the 19th century. The second section covers the period from the middle of the 19th century to the middle of the 20th century.

The third part of the report is a detailed study of the history of the subject. It is divided into two main sections: the first deals with the early history of the subject, and the second with the middle history. The first section covers the period from the beginning of the subject to the middle of the 19th century. The second section covers the period from the middle of the 19th century to the middle of the 20th century.